GOVERNMENT OF INDIA
FINANCE
LOK SABHA

STARRED QUESTION NO:398
ANSWERED ON:23.03.2001
BOARDS OF PUBLIC SECTOR BANKS
AJAY CHAKRABORTY

Will the Minister of FINANCE be pleased to state:

(a) whether the Government have decided to bar employees of public sector banks from joining bank boards as shareholders` representatives; and

(b) if so, the details thereof and the reasons therefor?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI BALASAHEB VIKHE PATIL) a): A Statement is laid on the table House.

STATEMENT TO LOK SABHA STARRED QUESTION NO.398 FOR 23.3.2001 IN RESPECT OF PART (a) AND

(b) REGARDING BOARDSQf.. PUBLIC SECTOR BANKS TABLED BY SHRI AJOYCHAKRABORTY.

(a) Clause 10 of Nationalised Banks(Management and Miscellaneous Provisions) Scheme, 1970/1980 which deals with the disqualification of Directors on the Boards of Nationalised Banks has been amended in December, 2000 providing that if a person holds any office of profit under any nationalised bank or State Bank of India constituted under sub-section (1) of section 3 of the State Bank of India Act, 1955, or any subsidiary bank as defined in section 3 of the State Bank of India (Subsidiary Banks) Act, 1959, except for holding the post of a whole time director, including the Managing Director and director nominated under clauses (e) and (f) of subsection 3 of Section 9 of the said Act he shall not be qualified to be a director on the Board of the Bank. An employee of a nationalised bank if he is shareholder shall not be eligible for nomination as director on the board of Public Sector Banks.

(b) The entry of bank employees as share holder directors on the bank`s board was defeating the purpose of allowing participation of public share holder directors in the management of the Banks and leading to unhealthy environment in banks and among shareholders. The amendment in the Scheme has been carried out to avoid conflict of interest and duty and in public interest.